

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Southern Union Company, D.T.E. 04-83

FIRST SET OF INFORMATION REQUESTS OF
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO
SOUTHERN UNION COMPANY

Pursuant to 220 C.M.R. 1.06(6)(c), the Department of Telecommunications and Energy ("Department") hereby submits to Southern Union Company the following information requests with respect to the above captioned matter.

Instructions

The following instructions apply to this set of information requests and all subsequent information requests issued by the Department to South Union Company in this proceeding.

1. "Southern Union" or "Company" means Southern Union Company, its officers, directors, employees, consultants, and attorneys.
2. "Prefiled Direct Testimony of Richard N. Marshall" means the written, direct testimony of Richard N. Marshall filed by the Company with the Department on August 26, 2004, as part of the Company's initial filing.
3. "CCE" means CCE Holdings, LLC, a joint venture between Southern Union and GE Commercial Finance Energy Financial Services.
4. "CrossCountry" means CrossCountry Energy LLC.
5. Each request should be answered in writing on a separate page with a recitation of the request, and with a reference to the request number, the docket number of the case, and the name of the person responsible for the answer. Please submit all responses on three-hole punched paper.
6. Please do not wait for all answers to be completed before supplying answers, but instead please provide the answers as they are completed.
7. These requests shall be deemed continuing so as to require further supplemental responses if the Company or its witnesses receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.

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8. The phrase "provide complete and detailed documentation" means provide all data, assumptions, and calculations on which the response relies; provide the source of and basis for all data and assumptions employed; include all studies, reports, and planning documents from which data, estimates, or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates; and provide and explain all supporting workpapers.
9. The term "document" is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources, and other data compilations from which information can be obtained, and all copies of such documents that bear notations or other markings that differentiate such copies from the original.
10. If the Company finds that any of these requests is ambiguous, please notify the Hearing Officer so that the requests can be clarified prior to the preparation of a written response.
11. Please serve a copy of the responses on Mary Cottrell, Secretary of the Department. Please also submit the responses directly to: (1) John Cope-Flanagan, Legal Division; (2) Mauricio Diaz, Rates and Revenue Requirements Division; (3) Paul Osborne, Rates and Revenue Requirements Division; (4) Joseph Passaggio; and (5) Glenn Shippee, Rates and Revenue Requirements Division.

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Pursuant to 220 C.M.R. § 1.06(6)(c), the Department of Telecommunications and Energy ("Department") hereby submits to Southern Union Company the following information requests.

- DTE 1-01 Reference Exhibit SU-2, Page 2 (Board of Directors Resolutions).
Provide a copy of (a) the Bond Engagement Letter and (b) the Engagement Letter pertaining to the underwritten offering of \$545 million of equity securities referenced therein.
- DTE 1-02 Please provide a pro-forma analysis that shows the anticipated effects of the CCE acquisition on Southern Union for a five-year period for: (a) income, (b) per share income, (c) book value, (d) retained earnings, (e) return on equity, (f) return on average assets and (g) asset size.
- DTE 1-03 Please provide a companion pro-forma analysis to the Company's response to Information Request DTE 1-02 that shows the Company's anticipated position on these variables for a five year period without the CCE acquisition.
- DTE 1-04 Provide any stock analysts' reports, Wall Street opinion pieces, investor reviews, reports or news items that review and comment on CCE's acquisition of Cross Country.
- DTE 1-05 Does the Company anticipate that any of its proposed common stock issuances will be subject to forward sale agreements?
- DTE 1-06 Reference Exhibit SU-5, Page 3 ("Condensed Consolidated Statement of Operations").
This schedule shows that the Company had 57,176,843 of basic shares outstanding as of June 30, 2003. The Company's proposed issuance of 38.63 million of common stock would nearly double the Company's outstanding common equity within two years. Discuss how this growth affects the Company and its shareholders, particularly from the stand point of book value per share.

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- DTE 1-07 Reference the Prefiled Direct Testimony of Richard N. Marshall, Page 3.
Provide any analyses, studies, or projections, together with all supporting work papers, that quantify estimates of the operating synergies to be achieved by the Company's investment in CCE.
- DTE 1-08 Reference the Prefiled Direct Testimony of Richard N. Marshall, Page 4.
Provide any analyses or studies prepared by the Company, together with all supporting work papers, that demonstrate that the issuance of equity is the most cost effective means to finance its investment in CCE.
- DTE 1-09 Reference the Prefiled Direct Testimony of Richard N. Marshall, Page 5.
Provide a copy of (a) FASB Statement No. 94 and (b) FIN 46.
- DTE 1-10 Reference the Prefiled Direct Testimony of Richard N. Marshall, Page 5.
Does the Company have the option to account for its investment in CCE in the same manner as its investment in Panhandle Eastern (i.e., consolidation on the books of Southern Union)?
- DTE-1-11 Reference the Prefiled Direct Testimony of Richard N. Marshall, Page 5.
Explain Southern Union's treatment of CCE's earnings and dividend distributions under the equity method of accounting.
- DTE 1-12 Reference the Prefiled Direct Testimony of Richard N. Marshall, Page 11, and Exhibit SU-3.
Please justify the rationale for the exclusion of retained earnings in computing the net plant test for reasons other than to comply with Department precedent.
- DTE 1-13 Reference Exhibit SU-3.
Please justify the exclusion of accumulated other comprehensive income in computing the net plant test for reasons other than to comply with Department precedent.

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DTE 1-14 Reference the Prefiled Direct Testimony of Richard N. Marshall, Pages 11 and 12.
Explain the rationale for not adjusting common stockholders' equity to reflect the remaining 1.7 million shares of common stock approved by the Department in D.T.E. 04-36, to be consistent with the Company's treatment, in this filing, of the \$400 million of long-term debt approved by the Department in D.T.E. 04-36.

DTE 1-15 Reference the Prefiled Direct Testimony of Richard N. Marshall, Pages 11 and 12.
Explain the rationale for not adjusting common stockholders' equity to reflect the 4,250,000 shares of stock dividend approved by the Department in D.T.E. 04-41, to be consistent with the Company's treatment, in this filing, of the \$400 million of long-term debt approved by the Department in D.T.E. 04-36.

DTE 1-16 Reference the Prefiled Direct Testimony of Richard N. Marshall, Page 12.
Discuss the proposed issuance of 38.63 million shares of common stock in terms of anticipated financial market impacts. Provide any correspondence from financial consultants that supports these projections.

Dated: September 17, 2004